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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of)

ADAK EAGLE ENTERPRISES, LLC)
d/b/a ADAK TELEPHONE UTILITY)

Petition for Waiver of the Commission's)
Rules to Obtain Accelerated USF)
Support and to Participate in NECA)
Pools and Tariffs)

CC Docket No. 96-45
DA 05-1544

**SECOND SUPPLEMENT TO PETITION FOR WAIVER OF THE
COMMISSION'S RULES TO OBTAIN ACCELERATED USF SUPPORT
AND TO PARTICIPATE IN NECA POOLS AND TARIFFS**

LAW OFFICES OF
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Attorneys for Adak Eagle Enterprises, LLC
d/b/a Adak Telephone Utility

Filed: December 7, 2005

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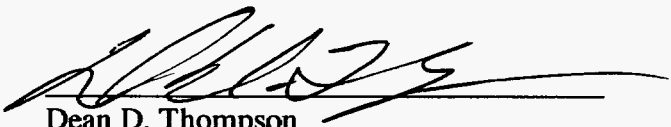
**SECOND SUPPLEMENT TO PETITION FOR WAIVER OF THE
COMMISSION'S RULES TO OBTAIN ACCELERATED USF SUPPORT
AND TO PARTICIPATE IN NECA POOLS AND TARIFFS**

On February 9, 2005, Adak Eagle Enterprises, LLC d/b/a Adak Telephone Utility ("AEE") filed a petition for a waiver of various Commission rules in order to allow AEE to immediately begin receiving high-cost Universal Service Fund ("USF") support and participate in National Exchange Carrier Association, Inc. ("NECA") pools and tariffs ("AEE's Petition").

The purpose of this second supplement is to advise the Commission that the Regulatory Commission of Alaska ("RCA") has issued an order granting AEE a permanent certificate of public convenience and necessity ("CPCN") to provide local exchange service in Adak, Alaska. See RCA Order No. U-03-76(4), p. 8, Ordering Paragraph No. 1. A copy of that order is attached. As AEE stated in its petition, the RCA had previously issued AEE a "temporary" CPCN. See AEE Petition at 2-3.

RESPECTFULLY SUBMITTED this 7th day of December, 2005.

KEMPEL, HUFFMAN AND ELLIS, P.C.
Attorneys for Adak Eagle Enterprises, LLC


Dean D. Thompson

RECEIVED

NOV 23 2005

STATE OF ALASKA

THE REGULATORY COMMISSION OF ALASKA

Before Commissioners:

Kate Giard, Chairman
Dave Harbour
Mark K. Johnson
Anthony A. Price
James S. Strandberg

In the Matter of the Application by ADAK EAGLE
ENTERPRISE LLC d/b/a ADAK TELEPHONE
UTILITY for a Certificate of Public Convenience
and Necessity to Provide Local Exchange
Service in Alaska

U-03-76

ORDER NO. 4

ORDER GRANTING PERMANENT CERTIFICATE,
MODIFYING REPORTING REQUIREMENTS, REQUIRING FILING,
AND CLOSING DOCKET

BY THE COMMISSION:

Summary

We grant Adak Eagle Enterprise LLC d/b/a Adak Telephone Utility (AEE) a permanent certificate to provide local exchange telephone service in Adak, Alaska, as further explained in the body of this order. We require AEE to modify its quarterly performance and outage reports to identify clearly the time period covered by the report. We direct that AEE's March 2006 annual financial report must be audited by a certified public accounting firm independent of the utility and its current company accountant and that the report must include standard financial notes. We require AEE to file an updated technical report by September 15, 2006. We close Docket U-03-76.

Background

AEE filed an application seeking a certificate of public convenience and necessity to provide local exchange service in Adak, Alaska. As AEE had not demonstrated that it was financially fit and AEE had ongoing difficulties in providing

1 affordable, quality service to its customers, we did not grant AEE a permanent
2 certificate.¹ However, because AEE was the only entity willing to provide service in
3 Adak, we concluded that telephone service was essential to the people of Adak and
4 therefore granted AEE a temporary certificate.²

5 We subsequently learned that AEE's lack of a permanent certificate
6 affected its ability to obtain critical Rural Utility Services (RUS) loan funds. AEE's
7 temporary certification was adequate to initiate an RUS loan study, but RUS would not
8 release funds to AEE until it obtained a permanent certificate from us.³ On
9 November 22, 2004, AEE requested permanent certification on an expedited basis. We
10 determined that we would maintain the temporary certification until AEE provided the
11 evidence required by Order U-03-76(1) that it was fit, willing, and able to serve. We
12 indicated that such evidence should include but would not be limited to:

- 13 • an updated technical report required by Order U-03-76(1) and
- 14 • additional financing data that demonstrates financial backing.⁴

15 AEE filed an updated engineering study on January 3, 2005. On
16 October 7, 2005, AEE notified us that it had obtained loan commitments from RUS and
17 other federal sources and again asked that we grant it a permanent certificate so that
18 RUS would release its loan funds.

20 ¹Order U-00-137(9)/U-03-76(1), *Order Conditionally Approving application;*
21 *Approving Tariff, in Part; Granting Temporary Certificate; Revoking Temporary*
22 *Operating Authority; Closing Docket U-00-137; and Requiring Filings*, dated October 8,
2004, at 4-5 (Order U-03-76(1)).

23 ²*Id.* at 6.

24 ³Order U-03-76(2), *Order Amending Docket Title and Requiring Filings*, dated
25 December 22, 2004, at 4.

26 ⁴*Id.* at 5.

1 Discussion

2 Our granting of a permanent certificate to AEE depended upon the utility
3 filing additional information including an updated technical report and data
4 demonstrating financial backing. AEE filed this information. We reviewed the
5 information to determine if it is in the public interest to grant AEE a permanent
6 certificate.

7 Quality of Service

8 On January 3, 2005, AEE filed an updated technical report as required by
9 Order U-03-76(1). The report indicated that portions of the AEE cables and pedestals
10 were antiquated, damaged, or in poor condition and a "significant amount of safety
11 violations were also observed . . . [q]uite a few cables laying on top of the ground and
12 overhead cables were attached at the same height as the power and also sagged into
13 existing power lines".⁵ The report also indicated that the switching system at the time of
14 December 2004 inspection was outdated.⁶ A plan for improving the AEE facilities was
15 included in the report; however, the plan called for extensive replacement of much of
16 the plant.

17 Because of our concern regarding service quality, we required AEE to file
18 quarterly performance and outage reports.⁷ In its January, 2005 report,⁸ AEE indicated
19 that it had leased a new Voice Digital PBX switch as a temporary measure to improve
20 service. We note that AEE significantly reduced the number of outages and trouble

21
22 ⁵Submission of Tariff Filings and Updated Engineering Studies in Compliance
23 with U-03-76(2) and Additional Financial Information, filed January 3, 2005, "Adak
Telephone Utility, Field Trip Report," at 1.

24 ⁶Id.

25 ⁷Ordering Paragraph No. 5, Order U-03-76(1).

26 ⁸Quarterly Performance and Outage Report, filed January 18, 2005, at 1.

1 reports over the last few months.⁹ AEE has also obtained a loan commitment in the
2 amount of \$3.64 million from RUS, with \$2.6 million from the Rural Telephone Bank and
3 \$150,000 from the Federal Financing Bank. These developments adequately
4 demonstrate that AEE is endeavoring to enhance its fitness and improve its network
5 and improve service quality.

6 The extent of problems outlined in the January 2005 technical report
7 suggest that many months or years may pass before all of the problems associated with
8 the AEE system are corrected. Further, some of the problems cited in the January
9 report indicate that safety hazards may exist in the AEE system. We therefore direct
10 AEE to continue filing quarterly performance and outage reports. For clarity, we require
11 AEE to identify the time periods covered by future reports. We also direct AEE to file an
12 updated technical report explaining the status of the AEE system, a prioritized list of the
13 key upgrades necessary to eliminate safety hazards and to improve quality of service,
14 and its plans and schedule for completing the upgrades and construction. This
15 technical report should be filed by September 15, 2006. Any issues related to the
16 technical report will be addressed through a separate docket, if necessary.

17 Financial Fitness

18 We did not initially grant AEE a permanent certificate because its
19 application raised questions regarding its financial fitness. We required AEE to file
20 monthly financial reports to allow us to monitor the revenue and cash flow of its
21 operations and to be able to assess its financial status. We reviewed the financial
22 reports filed over the last few months and provide a table, attached to this order as
23 Appendix A, which summarizes financial data submitted by AEE. As the table
24

25 ⁹The quarterly report filed April 29, 2005 contained twelve outages/trouble log
26 line items while the quarterly report filed September 29, 2005 contained only 2.

1 demonstrates, AEE's net income over the last few months has ranged from \$8,537 to
2 negative \$24,087, with most months showing negative net income. AEE's financial
3 condition is somewhat explained by its high costs and the delays in receiving federal
4 universal service funds for its operations. We recently granted AEE status as an
5 Eligible Telecommunications Carrier for purposes of receiving federal universal service
6 funding.¹⁰ We expect that AEE's financial status will substantially improve when it
7 begins receiving federal support and federal loan funds.

8 AEE's monthly reports contain significant and unexplained monthly
9 variations in "AEE, LLC Capital," Retained Earnings, and Income. "AEE, LLC Capital"
10 varies between negative \$55,460 and positive \$145,776 depending upon the month
11 reported. "Net income" as reported under "Equity" decreased by approximately \$70,000
12 between the end of July and August of 2005.¹¹ AEE states that its financial statements
13 are "not audited and do not include full disclosure or notes to the financial statements."¹²

14 We have several concerns. First, while AEE's monthly reports are of
15 limited detail and we question some of the entries, it appears that AEE is operating at a
16 loss. It is our desire that AEE gain financial health. We can best address this concern
17 by facilitating AEE's access to federal loan funds.

18 Our second concern is whether the monthly reports indicate AEE is
19 overcharging its customers. As it appears that AEE is operating at a loss, we believe it
20 unlikely that AEE is overcharging its customers at this time. We approved AEE's rates
21 on an interim and refundable basis pending a final and more complete determination of
22

23 ¹⁰Order U-04-109(1), *Order Granting Eligible Telecommunications Carrier Status*
24 *and Requiring Filings*, dated May 25, 2005.

25 ¹¹See August 15, 2005 and September 19, 2005, *Submittal of Accounting Data*
26 for AEE.

¹²*Submittal of Accounting Data*, filed September 19, 2005 at 1.

1 rates to occur at a later date.¹³ We also directed that upon receipt of federal universal
2 service support, AEE must file a tariff revision to reduce its local rates as appropriate in
3 light of federal and state support.¹⁴ We believe our actions adequately protect
4 customers in this regard.

5 Our last concern is whether AEE is accurately reporting its financial data.
6 To address this concern we will monitor AEE's financial status and require AEE to
7 continue to file monthly financial reports. In addition, we require that the next annual
8 report¹⁵ filed by AEE must be audited by a firm independent of AEE and its current
9 company accountant. Further, the report must include standard financial notes,
10 including all appropriate disclosures.

11 To the extent that future AEE filings suggest that we should continue to
12 review AEE's financial status or rates, we will do so in a separate docket.

13 Request for Permanent Certification

14 AEE's network appears to require extensive upgrade and replacement at
15 the same time that its financial status and resources would appear to be strained. AEE
16 has provided proof, in the form of a commitment letter from the U.S. Department of
17 Agriculture, Rural Development, that it has obtained financing of approximately \$6.3
18 million from various federal loan sources.¹⁶ Obtaining such loans will significantly aid

19 ¹³Order U-03-76(1) at 9.

20 ¹⁴*Id.*

21 ¹⁵The next annual report is due March 31, 2006. In Ordering Paragraph No. 9 of
22 Order U-03-76(1), we directed AEE to file an annual report for its local exchange
23 operations as required by AS 42.05.451(b) by March 31 of each year, beginning in
24 2005. The annual report filed by AEE on March 31, 2005, indicated that the report was
not audited and did not include "full disclosure or notes to the financial statements."
Submittal of Annual Report, filed March 31, 2005, at 1.

25 ¹⁶*Notice of Filing of Loan Commitment and Request for Grant of Permanent*
26 *Certificate of Public Convenience and Necessity*, Exhibit 1, filed October 7, 2005.

1 AEE's network replacement efforts and improve its financial status. However, AEE
2 provided previous documentation indicating that RUS will not release loan funds unless
3 AEE holds a permanent, rather than a temporary, certificate.¹⁷

4 AEE is the only entity willing to provide critical local exchange service to
5 consumers in Adak. Under these circumstances, withholding permanent certification
6 would hinder AEE's ability to provide this service and would be contrary to the public
7 interest. We grant AEE's request for permanent certification. All existing conditions that
8 applied to AEE's temporary certification and requirements that apply to AEE will
9 continue to apply, unless specifically modified by this order.

10 Docket Closure

11 This order constitutes the final decision in this proceeding. This decision
12 may be appealed within thirty days of the date of this order in accordance with
13 AS 22.10.020(d) and the Alaska Rules of Court, Rule of Appellate Procedure
14 (Ak. R. App. P.) 602(a)(2). In addition to the appellate rights afforded by
15 AS 22.10.020(d), a party has the right to file a petition for reconsideration as permitted
16 by 3 AAC 48.105. If such a petition is filed, the time period for filing an appeal is then
17 calculated under Ak. R. App. P. 602(a)(2).

18 No substantive or procedural issues remain in this proceeding, and there
19 are no allocable costs under AS 42.05.651 and 3 AAC 48.157. Therefore, this docket
20 should be closed.

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25 ¹⁷Notice of RUS Requirement Regarding Permanent Certification; and Expedited
26 Request for Permanent Certification, Exhibit A, filed November 22, 2004.

ORDER

THE COMMISSION FURTHER ORDERS:

1. Adak Eagle Enterprise LLC d/b/a Adak Telephone Utility is granted a permanent certificate of public convenience and necessity to provide local exchange service in Adak, Alaska, subject to the same conditions that apply to its temporary certificate as further explained in this order.¹⁸

2. Future quarterly performance and outage reports filed by Adak Eagle Enterprise LLC d/b/a Adak Telephone Utility shall clearly identify the time period covered by the report.

3. The March 2006 annual financial report submitted by Adak Eagle Enterprise LLC d/b/a Adak Telephone Utility in compliance with Ordering Paragraph No. 9 of Order U-00-137(9)/U-03-76(1) must be audited by a certified public accounting firm independent of the utility and its current company accountant; the report must include standard financial notes.

4. By September 15, 2006, Adak Eagle Enterprise LLC d/b/a Adak Telephone Utility shall file an updated technical report as explained in this order.

¹⁸Appendix B provides a description of the certificated service area.

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5. Docket U-03-76 is closed.

DATED AND EFFECTIVE at Anchorage, Alaska, this 23rd day of November, 2005.

BY DIRECTION OF THE COMMISSION
(Commissioners Kate Giard and Anthony A. Price,
not participating.)



AEE Financial Status

	Jan 05	Feb 05	Mar 05	Apr 05	May 05	Jun 05	Jul 05	Aug 05
ASSETS								
Current Assets	\$49,708	\$47,891	\$186,823	\$151,542	\$88,511	\$52,718	\$43,180	\$70,481
"2001 Plant in Service"	\$58,818	\$58,818	\$70,913	\$70,913	\$72,913	\$72,913	\$74,382	\$75,243
"2003 Plant Under Construction"	\$80,915	\$96,687	\$102,913	\$102,938	\$102,259	\$102,259	\$102,259	\$102,259
Accumulated Depreciation			\$861	\$861	\$861	\$861	\$861	-\$861
Other Assets	\$3,618	\$3,618	\$3,618	\$3,618	\$3,618	\$3,618	\$3,618	\$3,618
Total Assots	\$193,059	\$207,014	\$365,128	\$329,872	\$268,162	\$232,369	\$224,300	\$250,740
LIABILITIES								
Current Liabilities	\$245,546	\$279,112	\$222,686	\$209,780	\$225,929	\$213,769	\$210,663	\$327,463
Long Term Liabilities	\$19,363	\$19,363	\$19,363	\$19,363	\$19,363	\$19,363	\$19,363	\$19,363
Total Liabilitis	\$264,909	\$298,475	\$242,049	\$229,143	\$245,292	\$233,132	\$230,026	\$346,826
EQUITY								
"Opening Bal Equity"			\$6,200	\$6,200	\$0	\$0	\$0	\$0
"AEE, LLC Capital"	\$477	\$605	\$4,354	-\$28,478	\$4,449	\$4,449	\$4,449	\$4,581
Retained Earnings	-\$55,460	-\$58,793	\$145,776	\$145,776	\$40,436	\$40,436	\$40,436	\$21,943
Net Income	-\$16,867	-\$33,273	-\$33,252	-\$24,789	-\$22,015	-\$45,848	-\$50,611	-\$122,610
Total Equity	-\$71,850	-\$91,461	\$123,078	\$100,729	\$22,870	-\$763	-\$5,726	-\$96,086
Total Liabilities and Equity	\$193,059	\$207,014	\$365,127	\$329,872	\$268,162	\$232,369	\$224,300	\$250,740
Total Income								
	\$19,238	\$28,023	\$28,574	\$49,171	\$25,134	\$16,783	\$38,587	\$34,783
Total Expenses								
"other expenso"	\$36,105	\$29,947	\$30,664	\$39,305	\$32,446	\$39,529	\$41,420	\$51,064
			\$4,688	\$1,329	\$890	\$1,341	\$282	\$1,601
Net "Ordinary" Income								
	-\$16,867	-\$1,924	-\$2,090	\$9,866	-\$7,312	-\$22,746	-\$2,833	-\$16,281
Net Income	-\$16,867	-\$1,924	-\$6,778	\$8,537	-\$8,202	-\$24,087	-\$3,115	-\$17,882
Cash at beginning of period								
	\$24,033	\$24,036	\$26,296	\$26,296	\$26,296	\$26,296	\$26,296	n/a
Cash at end of period	\$14,929	\$9,284	\$90,268	\$43,975	\$50,283	\$15,284	\$30,292	n/a
Net Cash Increase for Period	-\$9,104	-\$14,752	\$63,972	\$17,679	\$23,987	-\$11,012	\$3,996	

Appendix B

Certificate of Public Convenience and Necessity No. 702

Granted to

Adak Eagle Enterprises LLC d/b/a Adak Telephone Utility

DESCRIPTION OF SERVICE AREA:

On Adak Island, that part of the island east of the Bay of Islands and north of Latitude 51°47'15" N.

The area described contains approximately 61,000 acres of land formerly considered the U.S. Naval Facility Military Reservation on Adak Island, Alaska. The area south of 51°47'15" N is designated Aleutian Islands Wilderness.

T94S, R194W, All Sections
T95S, R194W, All Sections
T95S, R195W, All Sections
T95S, R196W, All Sections
T96S, R193W, All Sections
T96S, R194W, All Sections
T96S, R195W, All Sections
T96S, R196W, All Sections on Adak Island
T97S, R195W, All Sections North of 51°47'15" North Latitude
T97S, R196W, All Sections North of 51°47'15" North Latitude
T97S, R197W, All Sections North of 51°47'15" North Latitude on Adak Island

In reference to the Seward Meridian.

CHRONOLOGY:

Certificate Granted:

11/23/05 - (U-03-76(4))

STATE OF ALASKA

THE REGULATORY COMMISSION OF ALASKA

Before Commissioners:

Kate Giard, Chairman
Dave Harbour
Mark K. Johnson
Anthony A. Price
James S. Strandberg

In the Matter of the Application by ADAK EAGLE)
ENTERPRISE LLC d/b/a ADAK TELEPHONE)
UTILITY for a Certificate of Public Convenience)
and Necessity to Provide Local Exchange)
Service in Alaska)

U-03-76

CERTIFICATION OF MAILING

I, Cynthia M. Tafs, certify as follows:

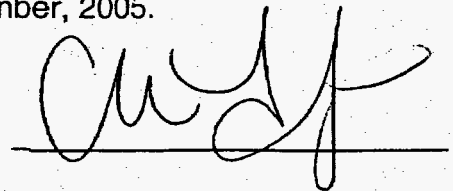
I am Administrative Clerk III in the offices of the Regulatory Commission of Alaska, 701 West Eighth Avenue, Suite 300, Anchorage, Alaska 99501. On November 23, 2005, I mailed copies of

Order No. 4, entitled:

ORDER GRANTING PERMANENT CERTIFICATE,
MODIFYING REPORTING REQUIREMENTS, REQUIRING FILING,
AND CLOSING DOCKET
(Issued November 23, 2005)

in the proceeding identified above to the persons indicated on the attached service list.

DATED at Anchorage, Alaska, this 23rd day of November, 2005.



SERVICE LIST
U-03-76(4)

Page: 1 of 1
Date: 11/23/2005

LARRY MAYES
GENERAL MANAGER
ADAK EAGLE ENTERPRISE LLC D/B/A
ADAK TELEPHONE UTILITY
P. O. BOX 1942
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U-03-76(4)

Page: 1 of 1
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